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A True Minimum Wage for Tipped Workers

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A True Minimum Wage for Tipped Workers

Abstract

The most pressing problems in Western New York in sectors such as education, health, and crime can be traced to a single root: poverty. Families living in poverty suffer from lower graduation rates, more chronic diseases, and more criminal violence than families earning living wages. In our region, as around the nation, roughly 45% of workers are employed in low-wage service sector jobs. Those jobs are not going away; in fact, they are the fastest growing occupations in the economy. They do not require – nor do they pay a premium for – high levels of education, and so gains in education will have a minimal impact on the wages they pay (already, more than two in five restaurant workers have some college education). The only way to make a major impact on poverty and the myriad, expensive problems it causes is to raise the wages of service sector workers.

Keywords

Buffalo, Poverty/Low Wage Work/Income Inequality, Wages and Benefits, Policy Brief, PPG, PDF

A True Minimum Wage for Tipped Workers

Selected Tipped Occupations in Western New York¹

Occupation	Number Employed	Median Annual Wage
Waiters and Waitresses	11,530	\$18,570
Bartenders	4,490	\$18,190
Bartender Helpers	2,110	\$18,850
Hairdressers, Hairstylists, and Cosmetologists	2,200	\$19,790

Introduction

The most pressing problems in Western New York in sectors such as education, health, and crime can be traced to a single root: poverty. Families living in poverty suffer from lower graduation rates, more chronic diseases, and more criminal violence than families earning living wages. In our region, as around the nation, roughly 45% of workers are employed in low-wage service sector jobs.² Those jobs are not going away; in fact, they are the fastest growing occupations in the economy. They do not require – nor do they pay a premium for – high levels of education, and so gains in education will have a minimal impact on the wages they pay (already, more than two in five restaurant workers have some college education).³ The only way to make a major impact on poverty and the myriad, expensive problems it causes is to raise the wages of service sector workers.

Tipped Workers

Tipped workers form a large portion of service sector workers and play an important role in the local economy. As shown in the accompanying chart, a review of four of the most common tipped occupations in Western New York yields a total of over 20,000 workers – all of them with a median wage of under \$20,000 per year. The food service industry is the second largest growth sector in the Western New York economy, projected to add 6,030 jobs between 2010 and 2020.⁴ New York State as a whole has an estimated 229,000 tipped workers, of whom over half are waitresses and waiters.⁵ Restaurant servers suffer from poverty rates roughly three times as high as those of other workers.⁶

Outdated, Discriminatory Policies Toward Tipped Workers

In New York, the minimum wage is now \$8.00 per hour and scheduled to rise to \$9.00 per hour by January 1, 2016. For tipped restaurant workers, however, the minimum wage is only \$5.00 per hour. The separate wage standards for tipped workers (like those for domestic and farm workers) are a relic of gender and racial inequality. When Congress passed minimum wage and other basic labor standards in the 1930s, it intentionally excluded occupations dominated by women and African-Americans. Today, 72% of tipped workers are women,⁷ The subminimum wage for tipped workers is one reason that African American women earn 67 cents, and Hispanic

women earn 54 cents, for every dollar that white men make in New York State.⁸ The restaurant industry is highly segregated, with minority workers earning 56% less than similarly situated white workers, mainly because they tend to be confined to the lower earning jobs and denied entry into the supervisory and fine dining jobs.⁹ Thus, the subminimum wage for tipped workers has a much larger negative impact on women and people of color than it does on men and whites.

Tipped Work and Poverty

Workers in predominantly tipped occupations are twice as likely as other workers to experience poverty, and servers are almost three times as likely to be in poverty.

*The White House
National Economic Council*

Eliminating the Sub-Minimum Wage is a Proven Strategy

Seven states require that tipped workers receive the minimum wage. This policy is reducing poverty (tipped workers have much lower poverty rates in those states) without reducing employment (restaurant jobs are growing faster in those states than in New York).¹⁰

Eliminating the Sub-Minimum Wage Reduces Paperwork, Inefficiency, and Wage Theft

The current two-tiered system is highly complex, giving rise to waste and theft. Under current rules, employers must monitor tip flows over the work week and then “top up” if the employee does not end up making the minimum wage for that week. This complicated system is burdensome and often results in intentional or unintentional wage theft, with the workers getting paid less than a minimum wage. Over 10 percent of tipped workers report getting paid less than the minimum wage, compared to just four percent of all workers.¹¹ Given the precarious jobs and incomes of tipped workers, and how reliant they are on their supervisors for shift schedules and hours, they have strong reasons not to report wage theft.

Higher Wages Cut Turnover and Increase Productivity

A survey of over 1,000 restaurant employers reported that higher wages cut turnover in half, saving the employers money on training and recruitment.¹² As many service sector employers – including Costco, Trader Joe’s, and QuikTrip Convenience Stores – have found, investing in good jobs does not require charging customers more; rather, “even in supposedly low-skill service sector work, higher wages are the key to greater employee engagement, better customer service, higher productivity, and a better bottom line.”¹³

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- ¹ New York State Department of Labor, Occupational Employment Statistics, WNY Region, retrieved November 6, 2014 from <http://labor.ny.gov/stats/lswage2.asp>
- ² Richard Florida, “Building America’s Third Great Job Machine.” *The Atlantic*, May 2011; and Partnership for the Public Good, “Poverty-Level Work in Western New York,” November, 2008.
- ³ Heidi Shierholz, “Low Wages and Few Benefits Mean Many Restaurant Workers Can’t Make Ends Meet.” *Economic Policy Institute*, August 21, 2014.
- ⁴ National Employment Law Project, “An Order of Fair Pay.” July 2013.
- ⁵ *Id.*
- ⁶ Heidi Shierholz, “Low Wages and Few Benefits Mean Many Restaurant Workers Can’t Make Ends Meet.” *Economic Policy Institute*, August 21, 2014.
- ⁷ White House National Economic Council, “The Impact of Raising the Minimum Wage on Women and the Importance of Ensuring a Robust Tipped Minimum Wage.” March 2014. See also, Zenaida Mendez, President NOW-NYS, Testimony to the New York State Wage Board, October 20, 2014.
- ⁸ National Employment Law Project, “An Order of Fair Pay.” July 2013.
- ⁹ Restaurant Opportunities Center, “The Great Service Divide.” October 22, 2014.
- ¹⁰ National Employment Law Project, “An Order of Fair Pay.” July 2013.
- ¹¹ *Id.*
- ¹² *Id.*
- ¹³ Richard Florida, “The Business Case for Paying Service Workers More,” *CityLab*, March 3, 2014, citing Zeynep Tom, author of *The Good Jobs Strategy*.
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